31 December 1981

MEMORANDUM FOR: Deputy Director of Central Intelligence

THROUGH: Director, National Foreign Assessment Center

FROM: [redacted] 25X1

SUBJECT: Support for Administration Deliberations on Sanctions

On Thursday afternoon the attached packet of material was LDXed and/or handcarried to Undersecretary Tim McNamar, via [redacted] 25X1 [redacted] Because you were not at Headquarters, we were unable to channel the material through you as promised. We hope that these papers and data meet with your approval even though they represent the hasty responses of several offices. Some of the material may prove useful for your Saturday morning meeting as well.

[redacted] 25X1

Attachments:
As stated on attached sheet

List of Attachments

1. Impact on Eastern Europe of a Western Credit Curtailment
2. Impact on Western Europe of Default
3. Soviet Hard Currency Situation

[redacted] 25X1

5. USSR: Potential Hard Currency Earnings from Sales from Commodity Stockpiles
6. Consequences of a US Financial Embargo Against the USSR

[redacted] 25X1

8. The CEMA Banks
9. Impact of US Financial Sanctions Against Poland
10. West European View of Sanctions.

IMPACT ON EASTERN EUROPE OF A WESTERN CREDIT CURTAILMENT

If East European countries were suddenly cut off from all new hard currency credits, they would have to cut foreign exchange outlays or increase foreign exchange earnings by the amount of their projected current account deficits. If credits had not been available in either of the last two years (1980 and 1981), Eastern Europe would have had to slash hard currency imports by well over 20 percent to eliminate combined annual current account deficits of nearly $10 billion. In the cases of Poland, Romania, Yugoslavia, and East Germany, the necessary adjustments would be so large that these countries probably would choose to suspend or curtail their debt service payments--steps which Poland and Romania have taken already. Bulgaria, Czechoslovakia, and Hungary are in stronger payments positions, and they should be able to adjust without much dislocation. Over the longer run, however, even these countries could run into substantial payments problems if harvests are poor or if they need to buy more oil from the Middle East. 25X1

If, in addition to being unable to obtain new credits, the East European countries were unable to roll over any credits--short-term as well as medium- and long-term--all of the countries would immediately encounter serious financial trouble. They would be forced into trade surpluses large enough to cover their entire debt service requirements including retirement of all short-term debt coming due--some $30 billion in all for 1982. Trade with the West would be severely curtailed. Hard currency imports for the region would have to be cut by more than 60

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percent--80 percent for Hungary and East Germany. Whether out of inability or retaliation, all of the countries most likely would renege on part or all of their financial obligations. 25X1

Western bankers have become increasingly reluctant to lend to Eastern Europe over the course of the last year, as Poland's and Romania's payments problems have intensified and the USSR has proved unable or unwilling to come to the rescue. Banks have taken steps to reduce their exposure and shorten loan maturities in Eastern Europe as a whole. A cutoff of credit thus would accelerate a trend already underway. 25X1

The Soviet Union almost certainly would be unwilling to provide sufficient assistance to the East Europeans for them even to maintain interest payments on existing debt. Net interest payments are nearly equal to the $10 billion combined East European current account deficit estimated for 1982. Poland alone owes interest payments of $4 billion. 25X1

Assuming the East Europeans declare a moratorium on debt service, Soviet assistance requirements would amount to only $2-$3 billion annually. We estimate that East European countries, excluding Yugoslavia, will run a 1982 trade deficit of only $1.7 billion--$1.2 billion for East Germany and $.5 billion for Romania. (Yugoslavia, a special case because of huge worker remittances and tourism receipts, may have a trade deficit of $5.5 billion but is unlikely to receive much Soviet help.) All other East European countries should balance hard currency trade in 1982. In addition to making up hard currency import losses, the Soviets might provide some aid to help the East Europeans cope with irregularity and seasonality in trade. 25X1

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Eastern Europe: Hard Currency Payments
(millions of dollars)

	BULGARIA	CZECHOSLOVAKIA	EAST GERMANY	HUNGARY	POLAND	ROMANIA	YUGOSLAVIA	Total
1. 1981 Current Account Balance	-100	-200	-2000	-600	-2400	-2000	-2300	-9600
2. 1981 Imports	2800	4250	6900	4200	6550	8500	11300	44500
3. 1982 Projected Current Account Balance	-300	-200	-1500	-500	-4000	-1500	-1500	-9500
4. 1982 Principal Falling Due (Short, Medium and Long Term)	1000	1500	4000	3000	3700	2500	4000	19700
Percent Imports Must Be Cut to Meet Obligations								
Assuming No New Credits, but principal rolled over[1]	11	5	22	12	61	18	13	21
Assuming Neither Credits nor Rollover of Principal)[2]	46	40	80	83	117	47	49	66

1 Line 3/Line2

2 (Line 3 and Line 4)/Line 2

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25X1

A Polish default would be painful for West European countries but still quite bearable from a purely financial point of view. West German banks would be hardest hit by far because: 1) Their total exposure is large at $4.5 billion; 2) of this amount $2.7 billion is not government guaranteed; and, 3) they are already going through a difficult period for reason unrelated to Poland. Nevertheless, it appears that all the West German banks involved have sufficient loss reserves to enable them to write off their Polish loans completely -- although they obviously would greatly prefer to avoid, or at least postpone, this step. As for Bonn, it has already set aside enough funds in the 1981 and 1982 budgets to cover almost half of its obligation to the banks in the event of default. Banks in other countries are less vulnerable because of lower exposure and/or higher government guarantees. In France -- the second-largest European creditor after West Germany -- the recent bank nationalizations will effectively make the government responsible for all of the Polish debt. 25X1

The non-financial aspects of Polish default might well be more upsetting to the West Europeans. There is a feeling that by severing links to the West, default would serve mainly to push Poland more deeply into the Soviet embrace. 25X1

A default by all the East European countries (excluding the USSR and Yugoslavia) would obviously have a much greater impact, and their West European creditors would likely go to considerable lengths to avoid this eventuality. The aggregate net foreign debt of the group is on the order of $62 billion, compared with about $25 billion for Poland alone. Lack of data makes judgments about the impact on specific Western countries more difficult. West Germany again would be hard-hit, but overall the burden would be more evenly distributed across countries than in the case of a purely Polish default. Nevertheless, some individual banks might not have sufficient reserves to write off the losses. Rather they would require -- and probably would receive -- some government assistance to remain solvent. 25X1

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Poland: Hard Currency Debt, end-August 1981[1]

Creditors	Total	Official	Unofficial
Total	23,422	12,325	11,097
Group of 16[2]	18,587	11,107	7,480
US	3,053	1,895	1,158
FRG	4,056	2,137	1,919
France	2,582	1,701	882
Austria	1,817	1,509	308
United Kingdom	1,781	1,150	631
Italy	1,088	750	338
Japan	1,063	357	706
Other	3,147	1,608	1,538
Socialist	2,270	74	2,196
USSR	1,168	---	---
Eastern Europe	132	---	---
CEMA Banks[3]	712	---	---
Polish Banks in the West	258	4	253
Arab Countries	451	254	197
Other	2,114	890	1,224
Brazil	1,534	784	750

[1] Source: Official Polish data. Includes medium- and long-term debt only; short-term debt is $1.2 billion. Totals may not add because of rounding.

[2] Sixteen Western countries which reschedule official Polish debt under a multilateral agreement.

[3] The International Bank for Economic Cooperation and the International Investment Bank.

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Eastern Europe: Hard Currency Debt to the West

(Million $ US, end of year)

	Commercial Credits			Government and Government Backed			Gross Debt			Net Debt			
	1978	1979	1980	1978	1979	1980*	1978	1979	1980*	1978	1979	1980*	1981*
Bulgaria	3,800	3,600	3,200	310	250	175	4,200	3,800	3,400	3,600	3,000	2,600	3,000
Czechoslovakia	2,800	3,700	4,200	400	400	500	3,200	4,100	4,700	2,500	3,020	3,500	3,000
GDR	8,200	9,100	11,200	850	1,200	1,400	9,000	10,300	12,600	7,800	8,400	10,400	12,000
Hungary	7,400	8,200	8,100	60	70	60	7,500	8,300	8,200	6,500	7,100	6,800	8,000
Poland	14,000	16,500	14,800	4,200	4,800	10,100	18,200	21,300	25,000	17,300	20,200	24,000	25,000
Romania	3,500	4,800	6,300	1,600**	1,800**	2,300**	5,100	6,600	8,600	4,800	6,300	8,300	11,000

*Preliminary

**Including debt to IMF and IBRD

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Soviet Hard Currency Situation

Over the past year the Soviet Union has experienced a sharp erosion in its hard currency position. This weakening is primarily due to a combination of increased imports from the West--especially grain--and soft Western markets for Soviet crude oil and other primary product exports. The current sitaution represents a turnaround from the strong position the USSR enjoyed during the past several years when increased revenues from energy and raw material exports to the West allowed a substantial buildup of hard currency reserves as well as a steady growth of imports from the West. Only an unlikely combination of events--a tightening of Western oil markets, a series of good Soviet grain harvests and a strong pick-up in Western economic growth--would offer relief from the current hard currency bind for the forseeable future. If the Soviet union fails to maintain a substantial volume of crude oil exports to the West--which is highly probable over the coming years--the hard currency bind could turn into a hard currency crunch of major magnitude. 25X1

To suggest the magnitude of the USSR's hard currency needs and constraints, we have constructed a balance-of-payments accounting model to project--in 1981 US dollars--trends in the USSR's hard currency foreign exchange accounts through 1985. Overall, imports that must be paid for in hard currency grow at an average rate of 3 percent during 1982-1985. Moscow cannot expect much help from merchandise exports in paying the rising import bill. The key variable in the calculation is Soviet oil exports whose earnings have increased rapidly in the past decade as a result of spiraling world market prices. To cover the range of likely Soviet options, we have projected two extreme scenarios, 1) oil export constraint at about 900,000 b/d and; 2) oil export falling to 100,000 b/d by 1985. Commodity exports other than oil, meanwhile, are held constant. The prospects for earnings from other sources are not especially bright. We assume that Moscow will sell--at $400 per troy ounce--all the gold produced in each year in excess of domestic requirements and that arms receipts will remain constant at the current high level of $5 billion a year. For projections of debt service, we asusme an average annual interest rate of 13.5 percent on new commercial debt, 7.8 percent on new government-backed debt and debt incurred for the Yamal gas pipelne. The average maturity for commercial and government-backed debt is assumed to be five years. Finally, net expenditures under "errors and omissions" are held at the 1980 level of 12 percent of merchandise exports. 25X1

With the above assumptions, the model was used to determine financing requirements required to maintain assumed 3 percent annual real growth in imports. Our projections suggest that under tha high oil scenario, gross debt would rise from a respectable $19 bilion this year to $38 billion in 1985 (in 1981 US dollars). Under the low oil scenario, debt would rise to $60 billion in 1985. Western credits would be needed to cover approximately two-fifths of the USSR's imports in 1982-90 under the first scenario, and three-fourths under the second. In either case, the debt service burden, while probably still manageable in 1985. 25X1

Neither the Soviets nor Western bankers, of course, would permit a massive Soviet financial burden to develop. Moscow instead would have to settle for lower import levels than assumed in our reference scenarios because any reduction in the volume of new Western credits would lower Soviet import capacity substantially. To estimate a more realistic import capacity, the model calculations were reversed so that imports could be projected with assumed values for future Soviet credit drawings. Three scenarios were constructed for each oil export profile: (1) a scenario limiting the USSR to 1980 drawing levels of $4-5 billion per year, all at commercial terms with interest rates at 13.5 percent; (2) a scenario limiting drawings, excluding those for the Yamal pipeline, to $2.5 billion per year at commercial terms; and (3) a scenario that assumes no new credits are drawn. In each case, financing for the Yamal pipeline project is unaffected by Western credit restrictions. 25X1

In all three cases, Soviet import capacity is substantially below the level required to allow East-West trade to ease the USSR's economic problems appreciably in the 1980s. If Moscow can maintain existing oil export levels through 1985, it could probably postpone deep reductions in imports until after 1985, even if it received no new credits. If Soviet oil exports declined substantially before 1985, however, Moscow almost certainly would have to reduce its imports more rapidly. The Soviets would incur less debt but would also have much less access to Western goods and technology. Western credit restrictions in this situation would accelerate the decline in Soviet import capacity in 1982-85. 25X1

USSR: Estimated Import Capacity

(Billion 1981 US $)

		High Oil		Low Oil	
	1981	1985	1990	1985	1990
Reference case with unconstrained borrowing:					
Imports	30.0	33.7	39.1	33.7	39.1
Total debt	19.3	38.4	98.0	59.8	163.1
Debt service ratio	15%	25%	68%	47%	116%
With new credits limited to $4.5 billion at commercial rates:					
Imports	30.0	29.6	25.7	22.2	25.7
(As a % of 1981 imports)		(87)	(66)	(66)	(66)
Total debt	19.3	30.8	34.6	30.8	34.6
Debt service ratio	15%	23%	32%	31%	32%
With credits limited to commercial drawings of $2.5 billion:					
Imports	30.0	29.3	25.5	21.9	25.5
(As a % of 1981 imports)		(87)	(65)	(65)	(65)
Total debt	19.3	24.9	23.3	24.9	23.3
Debt service ratio	15%	18%	22%	24	22
With no new credit drawings:					
Imports	30.0	28.6	26.5	21.2	26.5
(As a % of 1981 imports)		(85)	(65)	(63)	(68)
Total debt	19.3	16.9	10.1	16.9	10.1
Debt service ratio	15%	12%	11%	17%	11%

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USSR: Balance of Payments if Import
Volume Increases 3% per year

(Billion US $)

	1981	1982		1983		1984		1985	
		High Oil a/	Low Oil a/	High Oil a/	Low Oil a/	High Oil a/	Low Oil a/	High Oil a/	Low Oi
Trade Balance	-6.1	-9.1	-11.4	-9.6	-13.8	-10.4	-16.8	-11.2	-19.7
Merchandise exports	23.9	22.9	20.6	22.2	18.0	22.4	16.0	22.5	14.0
Merchandise imports	-30.0	32.0	32.0	31.8	31.8	32.8	32.8	33.7	33.7
Receipts from gold	2.0	3.8	3.8	4.0	4.0	4.1	4.1	4.2	4.2
Receipts from arms b/	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Invisibles & transfers	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest receipts	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Interest payments	-2.0	-2.2	-2.2	-2.7	-3.0	-3.3	-4.2	-3.7	-5.5
Current account balance	0.8	-0.6	-2.9	-1.4	-5.9	-2.7	-10.0	-3.8	-14.1
Errors & omissions	-3.4	-2.9	-2.6	-2.8	-2.3	-2.8	-2.0	-2.8	-1.8
Uncovered financing requirement	2.6	3.5	5.5	4.2	8.2	5.5	12.0	6.6	15.9
Credits drawn c/	5.6	6.7	8.7	7.6	11.9	9.3	16.6	11.2	22.1
Less principal repayments	-3.0	-3.2	-3.2	-3.4	-3.7	-3.8	-4.6	-4.6	-6.3

a/ "High oil" assumes hard currency sales plateau at 900,000 b/d through 1985; "Low oil" assumes oil exports largely disappear by 1985.

b/ These estimates are currently being reviewed by the Office of Global Intelligence.

c/ Totals may not add due to rounding.

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OECD TRADE WITH THE USSR
(Billion US $)

Exports to the USSR

	1971	1975	1978	1979	1980
Total	2.5	11.9	14.5	18.1	20.9
West Germany	0.5	2.8	3.1	5.9	4.4
US	0.2	1.8	2.2	3.6	1.5
Finland	0.4	1.6	2.5	2.4	2.5
France	0.3	1.1	1.5	2.0	2.5
Other	1.1	4.6	5.2	4.2	10.0

Imports from the USSR

	1971	1975	1978	1979	1980
Total	3.0	8.7	14.0	20.0	24.4
West Germany	0.4	1.3	2.7	4.1	4.1
Finland	0.4	1.3	1.5	2.2	3.3
Italy	0.3	0.9	1.7	2.1	3.1
Japan	0.5	1.2	1.5	1.9	1.9
Other	1.4	4.0	6.6	9.7	12.0

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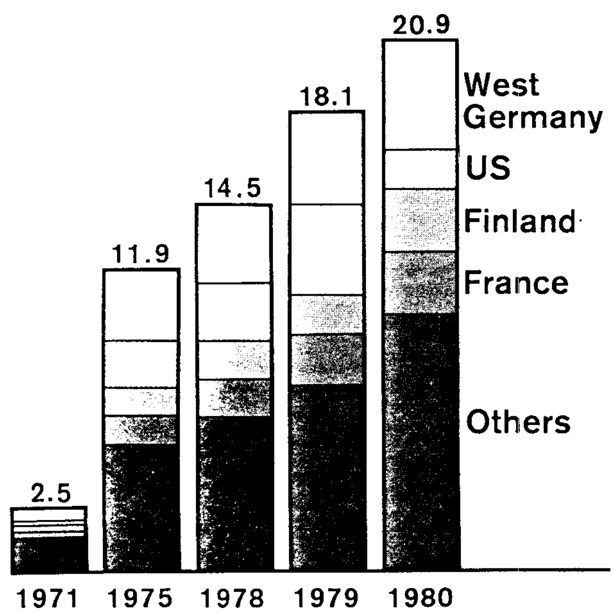
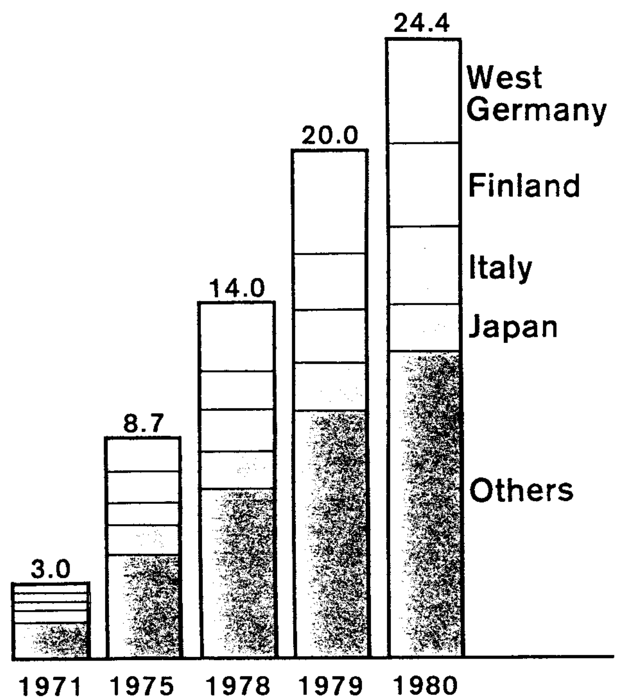
OECD: Exports to the USSR

Billion US $



OECD: Imports From the USSR

Billion US $



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OECD TRADE WITH THE USSR AND EASTERN EUROPE[1]
(Billion US $)

Exports to the USSR and Eastern Europe

	1971	1975	1978	1979	1980
Total	7.5	27.4	34.1	40.6	44.1
West Germany	2.2	8.1	10.0	11.3	12.4
US	0.4	2.8	3.7	5.7	3.9
France	0.7	2.6	2.9	4.0	4.6
Japan	0.5	2.2	3.2	3.2	3.6
Other	3.7	11.7	14.3	16.4	19.6

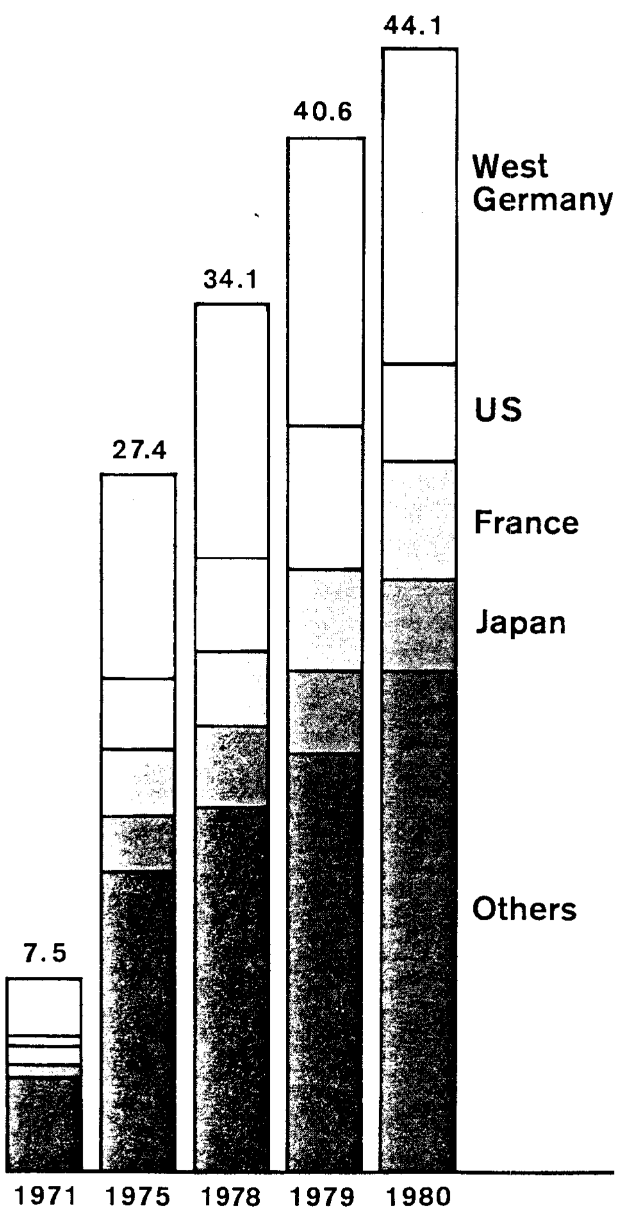
Imports from the USSR and Eastern Europe

	1971	1975	1978	1979	1980
Total	7.4	19.3	28.5	38.2	44.6
West Germany	1.9	4.6	7.8	10.7	11.6
Italy	0.9	1.9	2.9	3.9	5.3
France	0.6	1.7	2.5	3.3	5.2
UK	0.9	1.5	2.3	3.0	3.0
Others	3.1	9.6	12.9	17.3	19.5

1 Excluding Yugoslavia

OECD: Exports to the USSR and Eastern Europe[a]

Billion US $



[a]Excluding Yugoslavia

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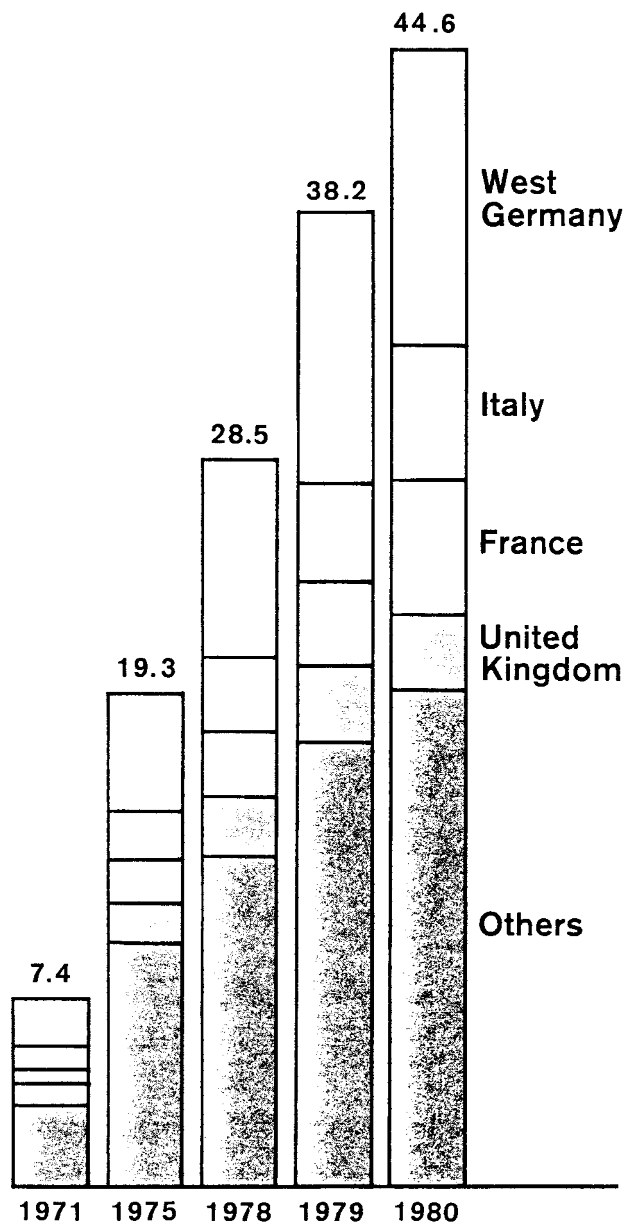
OECD: Imports From the USSR and Eastern Europe[a]

Billion US $



[a]Excluding Yugoslavia

USSR: Share of Hard Currency Trade in Total Trade

(Percent)

	Soviet Exports			Soviet Imports		
	1970	1975	1980	1970	1975	1980
Fuels	24	36	42	4	34	N.A.
Crude oil and petroleum products	26	40	43	10	72	N.A.
Natural gas	2	34	48	0	0	N.A.
Machinery and equipment	5	9	3	22	37	26
Ferrous metals	10	6	7	47	77	75
Chemicals	18	25	36	34	42	42
Wood and wood products	44	37	48	34	27	15
Agricultural products	14	24	25	27	42	66
Grain	5	1	0	73	87	90
Consumer goods	23	26	13	12	9	9
Total	17	23	31	23	38	38

Source: Soviet foreign trade data.

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USSR: Hard Currency Trade

	Exports, f.o.b.						Imports, f.o.b.					
	1970		1975		1980		1970		1975		1980	
	Million US$	Percent of Total	Million US$	Percent of Total	Million US$	Percent of Total	Million US$	Percent of Total	Million US$	Percent of Total	Million US$	Percent of Total
Total	2,201	100	7,835	100	23,498	100	2,708	100	14,257	100	26,017	100
of which:												
Fuels	493	22	3,887	48	15,095	64	8	Negl.	497	3	700[1]	3
Crude oil and petroleum products	387	18	3,276	41	12,028	51	8	Negl.	497	3	700[1]	3
Natural gas	13	1	220	3	2,706	12	0	0	0	0	0	0
Coal and coke	93	4	391	5	362	2	0	0	0	0	0	0
Machinery and equipment	140	6	560	7	1,388	6	927	34	4,593	32	6,039	23
Ferrous metals	129	6	167	2	246	1	279	10	2,567	18	3,469	13
Chemicals	67	3	256	3	765	3	208	8	742	5	1,565	6
Wood and wood products	365	17	712	9	1,476	6	84	3	214	2	203	1
Agricultural products	205	9	572	7	478	2	615	23	3,856	27	8,800	34
Grain	22	1	3	Negl.	0	0	101	4	2,323	16	4,400	17
Other	183	8	569	7	478	2	514	19	1,533	11	4,400	17
Consumer goods	76	3	215	3	152	1	260	10	436	3	745	3

1 Estimated

Source: Soviet foreign trade data.

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USSR: Hard Currency Debt to the West

(Million US $)

	1971	1975	1976	1977	1978	1979	1980[1]	Projected 1981
Commercial debt	400	6,900	9,700	9,800	9,500	10,500	10,000	10,800
Government-backed debt	1,400	3,600	5,200	5,900	7,000	7,800	8,200	8,500
Gross debt	1,800	10,500	14,900	15,700	16,500	18,300	18,200	19,300
Assets with Western banks	1,200	3,100	4,700	4,500	6,000	8,800	8,600	7,000
Net debt	600	7,400	10,200	11,200	10,500	9,500	9,600	12,300
Debt service	300	1,800	2,300	3,100	4,100	4,000	4,900	5,000
Debt-service ratio (percent)[2]	10	18	17	19	21	15	16	15

1 Preliminary.

2 Debt service as a percentage of export earnings plus sales of arms, gold, interest receipts, invisibles, and transfers.

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USSR: Hard Currency Trade with Selected Countries, 1980

(Million US $)

	Exports	Imports	Trade Balance
Developed West	21,304	21,330	-26
Australia	9	1,194	-1,185
Austria	894	610	284
Canada	46	1,496	-1,450
France	3,453	2,326	1,127
Italy	3,235	1,438	1,797
Japan	1,463	2,730	-1,267
Netherlands	1,582	555	1,027
Sweden	546	496	50
Switzerland	686	620	66
United Kingdom	1,323	1,467	-144
United States	233	2,081	-1,848
West Germany	4,767	4,603	164
Others	3,067	1,714	1,353
LDCs	2,194	4,687	-2,493
Argentina	47	1,790	-1,743
Brazil	34	390	-356
Iraq	729	398	331
Libya	252	443	-191
Others	1,132	1,666	-534
Total	23,498	26,017	-2,519

Source: Soviet foreign trade data.

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Measures of the Importance of Soviet-Western Trade to Major Western Countries, 1980

	Exports to USSR as Percent of Trading Partner Exports to World	Imports from USSR as Percent of Trading Partner Imports from World	Percent of Trading Partner's GNP	
			Exports to the USSR	Imports from the USSR
Argentina[1]	15.0	0.2	0.8	Negl
Australia	5.1	0.1	0.8	Negl
Austria	2.7	4.2	0.6	1.3
Brazil[1]	2.1	0.2	0.2	Negl
Canada	2.1	0.1	0.5	Negl
France	2.2	2.7	0.4	0.6
Italy	1.6	3.0	0.4	0.8
Japan	2.1	1.3	0.3	0.2
Netherlands	0.7	1.6	0.3	0.8
United Kingdom	0.9	1.5	0.2	0.4
United States	0.7	0.2	0.1	Negl
West Germany	2.3	2.2	0.5	0.5

1 Estimated.

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Soviet Share in OECD Global Trade, 1980

OECD Imports

Reporter	TOTAL TRADE	FOOD-STUFFS	RAW MATRLS	FUELS	MANU-FACTRS	OTHER
OECD(19)	1.8	0.2	2.7	4.1	0.4	4.1
U.S.	0.2	0.1	0.8	0.0	0.2	0.1
JAPAN	1.3	0.5	4.6	0.4	0.6	5.0
GERMANY a/	2.2	0.2	2.7	2.9	0.3	1.4
FRANCE	2.7	0.3	3.0	7.6	0.7	0.0
U.K.	1.5	0.1	2.8	2.6	0.3	10.0
ITALY	3.0	0.1	2.5	8.7	0.6	0.0
CANADA	0.1	0.0	0.0	0.0	0.1	0.1
SPAIN	1.3	0.1	1.3	2.7	0.3	0.4
AUSTRALA	0.0	0.1	0.0	0.0	0.0	0.0
NETHRLND	1.7	0.1	1.5	6.0	0.2	0.0
SWEDEN	2.2	0.2	3.2	7.3	0.4	0.2
BELG/LUX	1.6	0.1	1.1	4.8	0.2	5.6
SWTZRLND	2.7	0.2	1.2	20.5	0.2	1.9
AUSTRIA	4.2	0.3	5.1	23.3	0.2	1.1
DENMARK	2.1	0.2	2.0	7.9	0.2	0.0
NORWAY	0.5	0.4	0.7	1.7	0.2	0.0
FINLAND	21.0	0.6	21.4	60.4	3.2	55.5
GREECE	1.4	0.4	2.1	2.9	0.9	3.6
IRELAND	0.4	0.0	1.6	2.3	0.1	0.0

OECD Exports

Reporter	TOTAL TRADE	FOOD-STUFFS	RAW MATRLS	FUELS	MANU-FACTRS	OTHER
OECD(19)	1.7	3.6	1.0	0.2	1.7	0.4
U.S.	0.7	2.7	0.1	0.3	0.3	0.0
JAPAN	2.1	0.0	2.4	3.4	2.1	7.9
GERMANY	2.3	3.6	1.1	0.2	2.2	0.0
FRANCE	2.2	3.5	0.6	0.4	2.2	0.9
U.K.	0.9	0.5	2.1	0.0	1.1	0.1
ITALY	1.6	1.0	1.0	0.7	1.8	0.0
CANADA	2.1	14.3	0.3	0.0	0.5	0.0
SPAIN	1.3	1.9	1.3	0.0	1.2	0.0
AUSTRALA	4.9	11.4	3.3	0.0	0.0	0.0
NETHRLND	0.7	1.8	1.0	0.0	0.5	0.0
SWEDEN	1.4	12.9	0.6	0.0	1.2	0.0
BELG/LUX	1.0	1.7	0.4	0.1	1.1	0.3
SWTZRLND	1.0	0.2	1.1	0.3	1.1	0.0
AUSTRIA	2.7	3.2	0.5	0.3	3.0	0.0
DENMARK	0.5	0.5	0.2	0.0	0.7	0.0
NORWAY	0.6	0.1	0.6	0.0	1.6	0.2
FINLAND	17.6	38.2	4.6	1.6	21.6	0.3
GREECE	1.8	3.9	2.5	0.3	0.9	0.0
IRELAND	0.6	1.4	0.5	0.0	0.1	0.0

a/ Excluding imports of petrolum and petroleum products which is reported separately as a special category.

Source: Western trade data.

VALUE OF THE SOVIET FOREIGN EXCHANGE RUBLE IN US DOLLARS
AS SET MONTHLY BY THE FOREIGN TRADE BANK OF THE USSR

	1973	1974	1975	1976	1977	1978	1979	1980	1981
JAN :	1.211	1.308	1.370	1.319	1.348	1.416	1.517	1.564	1.479
FEB :	1.283	1.266	1.418	1.319	1.333	1.439	1.513	1.564	1.429
MAR :	1.348	1.299	1.429	1.327	1.340	1.460	1.513	1.533	1.420
1QT :	1.281	1.291	1.406	1.322	1.340	1.439	1.514	1.553	1.443
APR :	1.333	1.316	1.429	1.325	1.340	1.456	1.511	1.515	1.404
MAY :	1.333	1.338	1.429	1.325	1.343	1.437	1.504	1.534	1.381
JUN :	1.379	1.340	1.449	1.323	1.346	1.431	1.495	1.553	1.335
2QT :	1.349	1.331	1.435	1.324	1.343	1.441	1.503	1.534	1.374
JUL :	1.389	1.329	1.444	1.323	1.369	1.477	1.548	1.563	1.328
AUG :	1.460	1.340	1.365	1.323	1.347	1.480	1.546	1.570	1.318
SEP :	1.389	1.320	1.351	1.329	1.362	1.501	1.534	1.548	1.367
3QT :	1.413	1.330	1.387	1.325	1.360	1.486	1.542	1.560	1.338
OCT :	1.399	1.320	1.325	1.333	1.363	1.536	1.554	1.543	NA
NOV :	1.377	1.325	1.333	1.333	1.397	1.504	1.529	1.517	NA
DEC :	1.340	1.342	1.319	1.337	1.405	1.490	1.553	1.479	NA
4QT :	1.372	1.329	1.326	1.335	1.388	1.510	1.545	1.513	NA
YEAR :	1.353	1.320	1.388	1.326	1.358	1.469	1.526	1.540	1.385

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US DOLLAR VALUE OF THE SOVIET FOREIGN EXCHANGE RUBLE
AS SET MONTHLY BY THE FOREIGN TRADE BANK OF THE USSR

	1973	1974	1975	1976	1977	1978	1979	1980	1981
JAN :	0.826	0.764	0.730	0.758	0.742	0.706	0.659	0.640	0.676
FEB :	0.780	0.790	0.705	0.758	0.750	0.695	0.661	0.640	0.700
MAR :	0.742	0.770	0.700	0.753	0.746	0.685	0.661	0.652	0.704
1QT :	0.782	0.775	0.712	0.756	0.746	0.695	0.660	0.644	0.693
APR :	0.750	0.760	0.700	0.755	0.746	0.687	0.662	0.660	0.712
MAY :	0.750	0.748	0.700	0.755	0.744	0.696	0.665	0.652	0.724
JUN :	0.725	0.746	0.690	0.756	0.743	0.699	0.669	0.644	0.749
2QT :	0.742	0.751	0.697	0.755	0.745	0.694	0.665	0.652	0.728
JUL :	0.720	0.752	0.692	0.756	0.730	0.677	0.646	0.640	0.753
AUG :	0.685	0.746	0.733	0.756	0.743	0.675	0.647	0.637	0.758
SEP :	0.720	0.757	0.740	0.752	0.734	0.666	0.652	0.646	0.732
3QT :	0.708	0.752	0.722	0.755	0.736	0.673	0.648	0.641	0.748
OCT :	0.715	0.757	0.755	0.750	0.734	0.651	0.643	0.648	NA .713
NOV :	0.726	0.755	0.750	0.750	0.716	0.665	0.654	0.659	NA
DEC :	0.746	0.745	0.758	0.748	0.712	0.671	0.644	0.676	NA
4QT :	0.729	0.752	0.754	0.749	0.720	0.662	0.647	0.661	NA
YEAR :	0.740	0.758	0.721	0.754	0.737	0.681	0.655	0.649	0.723

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NOTE: Data represent mid-point between exchange rate as of first of each month and exchange rate as of mid-month.

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Consequences of a US Financial Embargo Against the USSR

We believe a US-only financial embargo against the USSR could cause the Soviets some difficulty but nothing they could not deal with. In order to cause significant problems an intricate system of US capital controls would be necessary. If the embargo is limited to direct lending by US banks, the major effect would be to force a shift in Soviet financial arrangements to Western Europe. 25X1

We question whether US banks would cut back trade-related lending to the Soviets in the absence of financial sanctions. US banks consider the Soviets to be excellent credit risks and must consider their client relationships with US exporters. We do not believe this evaluation will necessarily be altered by current political developments. It is unlikely, however, that US banks will actively participate in general-purpose loans to the USSR.

The impact of a global repudiation of Bloc debt would depend on the ability of Western central banks to backstop affected commercial banks. If the central banks move quickly or have well defined safety nets, the impact on the international financial system would probably be limited to impairing confidence in the system. Perhaps the most damaging problems resulting from a Soviet or Bloc debt repudiation would be the impact on East/West trade, which would be reduced to a cash-and-carry business. In time, combined US and West European financial sanctions would have a negative impact on overall economic activity, especially in West Germany. 25X1

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The CEMA Banks

The International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB) are banks which handle intra-CEMA financing. IBEC is basically a trade bank and IIB an investment bank. Both deal in hard currency and in clearing accounts. They owe a total of about $4 billion to the West, mostly borrowing by IIB in the late 1970s to finance the Orenburg natural gas pipeline. Their borrowing from the West is on behalf of the CEMA countries. 25X1

Poland owes $276 million to IBEC and $436 million to IIB. Both banks presumably are suffering from Warsaw's nonpayment. A recent $100 million loan sought by IIB was rumored to be for Poland, but may have been to cover Polish arrearages to IIB itself. A Polish default would not force a write-off of debt to the CEMA banks because they are not regulated by Western financial bodies. 25X1

IBEC maintains a substantial volume of credit lines and deposits with Western banks and could be hurt by a cutoff of short-term credits and deposits. IBEC has been shut off from syndicated Eurodollar borrowing since a 1977 legal dispute which raised questions about IBEC's legal status as a borrower. IIB still enjoys a strong reputation among Western bankers, who generally regard its creditworthiness as equal to that of the USSR. Like Soviet-owned banks in the West, both CEMA banks are cushioned somewhat from Western actions by their ability to tap [redacted] 25X1

Soviet funds, although this source would probably dry up quickly given the financial burdens Moscow would face in the event of a credit curtailment. [redacted] 25X1

SECRET [redacted] 25X1

USSR: Potential Hard Currency Earnings from Sales from Commodity Stockpiles

As part of national planning and defense policy, the Soviet Union maintains large reserves of materials. In the past the USSR has sold from these reserves to earn hard currency. The most likely candidates for future sales include gold, platinum-group metals, and petroleum products, although the USSR undoubtedly could spare small amounts from its reserves of other non-ferrous metals, timber, and the like. [redacted] 25X1

Gold

We estimate that the USSR has a gold stockpile of 1,900 tons. Although the USSR has not allowed its stockpile to fall below 1,000 tons since 1930, there is no reason why it would not be willing to sell a large part of its present reserves except for the impact such sales would have on price. In this connection, it is worth noting the most gold ever sold in one year by the USSR was 465 tons in 1964 to finance substantial grain purchases. [redacted] 25X1

Platinum Group

Evidence on reserves of platinum-group metals is tenuous. We have no estimate of total stocks, but we can infer from production and sales data that the USSR has added about 4.7 million troy ounces to stocks since 1975. This undoubtedly reflects rebuilding of reserves after heavy sales in the early 1970s. Assuming that this recent five-year build-up could again be drawn down about, 5 million troy ounces could be available for sale in the next six months. Maximum annual Soviet exports were about 2.7 million troy ounces (during the 1972-1974). [redacted] 25X1

Petroleum

We doubt that the USSR has "reserves" of petroleum available for sale. However, it might be willing to divert oil deliveries from CEMA countries to the hard currency market. The USSR recently announced a 10 percent cutback in oil deliveries to selected East European countries, purportedly because of a need for hard currency. If an additional 10 percent cut could be imposed on all CEMA countries (an unlikely prospect), 200,000 barrels of oil per day could be available to the West [redacted]) 25X1

Potential Earnings

Leaving aside the effect of these transactions on market prices, the USSR could earn more than $15.5 billion from the sales described above (gold--$11.5 billion, platinum group metals--$2 billion, and oil over $2 billion [redacted] 25X1

Impact of US Financial Sanctions Against Poland

We have begun to examine the economic and political implications of a US decision to invoke the "TANK" clause of its rescheduling agreement with Poland. There is a great deal of uncertainty about many of these implications. While we are preparing a more thorough assessment for completion on 8 January, our preliminary views of the impact and implications of US abrogation of the rescheduling agreement with Poland are as follows:

1. Financial Impact on Poland

This impact would be small. Most Western banks probably would find Poland in default of its obligations, although some might delay action. But Poland is already in de facto default. The main impact would be to puncture whatever balloon of wishful thinking still exists in the banking community as to Poland's ability to continue making some payments on its obligations. Creditors might scramble to seize Polish assets in the West, even though their value would offset only a small portion of Warsaw's debt. Cargos of Polish-titled goods might be seized, and the conduct of Polish trade could be affected by litigation as well. Nevertheless, the negative impact on Poland of a default would be partly offset by the consequent relief from its huge debt burden, obviating the need to run large trade surpluses in the future. Any new government credits or humanitarian aid would, moreover, feed into the Polish economy rather than be diverted to pay off creditors.

2. Impact on Polish Political Developments

We doubt that either the threat or the event of this US action would influence the Polish military government's actions. These actions are driven by what they regard as political imperatives.

3. Impact on Other Eastern European Countries

The other Eastern European countries will all, but to varying degrees, have to make painful economic adjustments during the next year or two. The Western market for their exports is weak and banks are extending few, if any, new loans. This means that imports from the West must be cut in order to meet obligations on existing debt. Romania is already seriously in arrears and will require some rescheduling in any event. Czechoslovakia, Hungary, and Bulgaria are clearly preparing to make import cuts if necessary; it is highly unlikely that they will fail to meet their financial obligations. East Germany is in a more difficult position, but probably can manage.
The US measure would accelerate and perhaps worsen these

problems by making Western bank credit even more difficult to obtain. The required economic adjustments would be severe, but not necessarily much more so than those which would occur in any event. Much would depnd on how our European allies reacted to a US move--whether by taking similar action, or alternatively by trying to isolate the Polish problem from the broader Eastern European problem or even by trying to compensate for a worsened climate for bank lending through government action. West Germany in particular is likely to continue buttressing its trade with East Germany.

4. Impact on the USSR

The Soviet hard currency position is worsening rapidly, but is unlikely to become really weak for at least another two or three years. Although Moscow is unlikely to bail Poland out from its hard currency difficulties, it will be forced to provide a great deal of economic support to Poland on bilateral account, which will include products that could be sold on Western markets for hard currency. Consequntly, there will be at least indirectly a hard currency cost to Moscow.

5. Impact on the Yamal Pipeline

We doubt that this US action would result in cancellation or even postponement of the Yamal pipeline. The Western credits to cover Soviet purchases of Western equipment for the pipeline are fully insured by the Western governments. The banks are receiving at least near market rates for these loans because the interest subsidies are being borne largely by the export firms who are charging higher than market prices on their sales. A Polish default could weaken some European banks enough to make them worry about a large prospective increase in their long term exposure to the USSR but, in view of the strong support for the pipeline from Western European governments, especially the West Germans, we would expect the necessary financing to be found somewhere.

6. Impact Outside the Soviet Bloc

We are concerned about the impact on Yugoslavia, which would clearly suffer from any reduction in bankers' confidence concerning lending to Eastern Europe. We will be examining the Yugoslavian situation very closely in next week's assessment.

The only less developed country with substantial exposure to Poland and Eastern Europe generally is Brazil. The Brazil problem appears to be manageable.

7. Political Effects on the West

We would expect the West Europeans to react negatively to such a US move. Basically they are opposed to any steps which tend to substantially reduce linkages and contacts between East and West. They have been trying hard to minimize the impact of Poland's financial problem and fallout to other countries.

8. Possible Soviet Reactions

The Soviets would almost certainly not be willing to assume the hard currency obligations of Poland and to her East European countries on a large scale. They might help Poland meet some of its obligations or give promises to this effect especially in anticipation of a possible US move. Their objective would be to put the onus of a Polish default on the United States.

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West European View of Sanctions

Response to Present Sanctions

West European governments by and large endorse US assertion that something must be done to demonstrate Western opposition to the imposition of martial law in Poland but cannot agree among themselves on how to respond. Some leaders, notably British Foreign Secretary Lord Carrington, question the effectiveness of sanctions in general. The West Germans, on the other hand, worry that Washington's unilateral sanctions might have a more negative impact on Western Europe than on Eastern Europe or the Soviet Union; they point out, moreover, that the US has little to lose. To date the West European wariness toward US sanctions has been dictated largely by this concern.

West Germany, in particular, does not believe that the situation in Poland is irreparable, and therefore feels that the US countermeasures now are premature. Italy and France, for domestic political reasons, are voicing public support for the US posture, but the Germans are reportedly confident that neither country would agree to implement strong countermeasures for the time being. At least partly in order to delay decisions, some countries are calling for meetings to develop an EC consensus.

European concerns are heightened by the widespread perception that US restrictions on licensing pipeline and energy-related equipment are simply another attempt to thwart the major gas deal between Western Europe and the Soviet Union. Most of the West European countries stand to benefit directly or indirectly from pipeline-related contracts. In their eyes the

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pipeline entails little risk of over-dependence on Soviet energy. In any case, West German leaders point out, the Soviets need the gas sales for hard currency, and this would strongly discourage Moscow from attempting to use gas as an economic weapon.

Most West European nations are currently suffering from economic problems that make them feel vulnerable to the negative impact of US sanctions. They are faced with high unemployment, slow growth, and weak trade positions. Many of the political leaders are suffering from significant declines in popularity or have but tenuous hold over their respective governments. Their positions would be weakened further by the increased unemployment and lost production that would probably accompany the imposition of sanctions or active support for US restrictive measures.

Response to Further Financial Sanctions

Western Europe has a great deal to lose if Poland defaults or if severe financial sanctions are imposed on the USSR and Eastern Europe. Because of its stake in trade and its financial exposure to the bloc countries, Western Europe's economic growth, employment, and current account balances would all suffer. Western banks would be especially hard hit if forced to write off East European debts. Bankers have so far avoided pushing Poland into default because there are few assets in the West that they can recover, and the costs of litigation might prove higher than the revenue from those assets. Moreover, many bankers believe that recent Polish interest payments show good faith and hold out the promise of recovering larger sums over the long run.

Trade losses would be significant in the event of severe financial sanctions. Without credit lines West European exports to the USSR and Eastern Europe--$31.2 billion in 1980, excluding trade between East and West Germany--could collapse. Eastern Europe alone accounts for $16.6 billion in exports that led to a collective $205 million surplus for West European countries--most of which suffered large balance of trade deficits. Though sales to the entire bloc account for only 3.9 percent of total West European exports, they represent a much larger share in several key industries, including chemicals and machinery. Hard hit by the current economic downturn, these industries have already suffered severe losses in employment and production.

In addition to these economic motives for maintaining ties with Eastern Europe, West European leaders, notably the West Germans, believe that financial and trade ties are politically desirable. They argue that strong economic ties help to restrain Soviet adventurism and thus buttress both detente and security. At the very least, West Europeans contend, precipitate action on sanctions would leave the West fewer options and weaken the threat of serious action should the Soviets actually invade Poland.

If Poland Defaults

Several courses of action are available to Western Europe should the Poles be forced into default by the US sanctions. In descending order of likelihood, Western Europe could

-- Refuse to acknowledge the default, giving banks more time to write off their bad debts and at least leaving open the possibility of recovering more money in the long run. (Technically, of course, Poland has been in default for some time, but the matter will not come to a head until the default is officially acknowledged.)

-- Attempt to buy more time by extending credit to Poland.

-- Acquiesce in forcing the default.

Further Defaults

Should other East European countries be forced into default too, the impact would naturally be more severe. Western banks would seek even harder for ways to accommodate the debt in order to avoid having to swallow huge losses. Western governments, moreover, cover large portions of the debts and would eventually have to step in. Banks and governments alike would obviously do all in their power to avoid such a drastic result.

Eastern Europe: Hard Currency Accounts

(millions of dollars)

	BULGARIA	CZECHOSLOVAKIA	EAST GERMANY	HUNGARY	POLAND	ROMANIA	YUGOSLAVIA	Tot
Debt Service 1980	1000	1000	2000	1800	7900	1900	3000	186
Debt Service 1981	900	1000	2200	1900	5000	2400	3700	171
Gross Borrowing 1981	500	800	2600	1700	8300	2200	4000	201
Gross Brorrowing 1981	500	1000	2600	1500	5700	3400	4000	187
Estimated Imports, 1982 with no Hard Currency Credits	1500	2600	1400	1000	0	4300	5500	163
Interest, 1982	500	500	1000	1000	2500	1500	2000	90

Eastern Europe: Hard Currency Debt to the West

(Million $ US, end of year)

	Commercial Credits			Government and Government Backed			Gross Debt			Net Debt			
	1978	1979	1980	1978	1979	1980*	1978	1979	1980*	1978	1979	1980*	1981*
Bulgaria	3,800	3,600	3,200	310	250	175	4,200	3,800	3,400	3,600	3,000	2,600	3,000
Czechoslovakia	2,800	3,700	4,200	400	400	500	3,200	4,100	4,700	2,500	3,020	3,500	3,000
GDR	8,200	9,100	11,200	850	1,200	1,400	9,000	10,300	12,600	7,800	8,400	10,400	12,000
Hungary	7,400	8,200	8,100	60	70	60	7,500	8,300	8,200	6,500	7,100	6,800	8,000
Poland	14,000	16,500	14,800	4,200	4,800	10,100	18,200	21,300	25,000	17,300	20,200	24,000	25,000
Romania	3,500	4,800	6,300	1,600**	1,800**	2,300**	5,100	6,600	8,600	4,800	6,300	8,300	11,000

*Preliminary

**Including debt to IMF and IBRD

POLANDS DEBT TO MAJOR WEST GERMAN BANKS, SEPTEMBER 1981

(million dollars)

	TOTAL	UNGUARANTEED
Dresdner Bank	296	174
Commerzbank	396	261
Bank fur Gemeinwirtschafte	413	339
Deutsche Bank	304	196
Westdeutsche Landesbank	183	65

Source: Der Spiegel, 48/1981

Communist Countries: Hard Currency current Account Balances, Estimated 1979 and Projected 1980-82

(billion US dollars)

	1979	1980	1981	1982
BULGARIA				
Current Account	0.5	0.8	-0.1	-0.3
Trade Account	0.7	1.1	0.4	0.0
Invisibles and transfers	-0.2	-0.3	-0.5	-0.3
CZECHOSLOVAKIA				
Current Account	-0.9	-0.2	-0.2	-0.2
Trade account	-0.8	0.0	0.1	0.0
Invisibles and transfers	-0.1	-0.2	-0.3	-0.2
EAST GERMANY				
Current Account	-1.5	-0.9	-2.0	-1.5
Trade account	-1.5	-1.0	-1.5	-1.2
Invisibles and transfers	0.0	0.1	-0.5	-0.3
HUNGARY				
Current Account	-1.1	0.2	-0.6	-0.5
Trade account	-.7	0.2	0.0	0.0
Invisibles and transfers	-.4	-0.1	-.6	-0.5

(Continued)

Communist Countries: Hard Currency Current Account Balances, Estimated 1979 and Projected 1980-82

(Billion US dollars)

POLAND				
Current Account	-2.9	-3.0	-2.4	NA
Trade account	-1.7	-.9	-0.8	NA
Invisibles and transfers	-1.2	-2.1	-1.6	NA
ROMANIA				
Current Account	-1.7	-2.4	-2.0	-1.5
Trade account	-1.2	-1.5	-1.0	-0.5
Invisibles and transfers	-.5	-.7	-1.0	-1.0
YUGOSLAVIA				
Current account	-3.3	-1.9	-2.3	-1.5
Trade account	-6.6	-5.5	-6.3	-5.5
Invisibles and transfers	3.3	3.6	4.0	4.0

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UNGUARANTEED BANK CLAIMS OF COUNTRIES REPORTING TO THE BANK FOR INTERNATIONAL SETTLEMENTS AND OF SOME OF THEIR FOREIGN BRANCHES,* AS OF END OF 1980

(millions of dollars)

Debtor countries	Total Claims (drawn) taken into account	Repayments falling due: 1981	1982	1983 and	unspecified maturity
Albania	2	-	-	2	-
Bulgaria	2,876	1,043	502	1,030	301
Czechoslovakia	3,545	1,528	166	1,613	238
GDR	9,928	3,829	1,929	2,719	1,451
Hungary	8,002	3,429	677	3,304	592
Poland	16,173	5,350	2,693	5,516	2,614
Rumania	5,776	2,467	361	1,629	1,319
Soviet Union	13,438	5,625	871	4,317	2,625
Residual	1	1	-	-	-

* Includes unknown amounts of guaranteed credits. Reporting countries include: Austria, Belgium-Luxembourg, Canada, Denmark, France, Federal Republic of Germany, Ireland, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom, and the United States.

Table 68 Million US $

East European Imports, by Commodity Group [a]

	1970	1975	1976	1977	1978	1979	1980
Bulgaria	**1,831**	**5,528**	**5,559**	**6,344**	**7,658**	**8,580**	**9,339**
Machinery and equipment	743	2,289	2,290	2,512	3,086	3,183	3,313
Fuels, minerals, and metals	533	1,852	1,929	2,392	2,956	3,552	4,015
Agricultural and forestry products	291	702	667	666	766	841	N.A.
Manufactured consumer goods	104	282	272	285	314	386	411
Other	160	403	401	489	536	618	N.A.
Czechoslovakia	**3,695**	**8,874**	**9,410**	**10,883**	**12,488**	**14,371**	**15,610**
Machinery and equipment	1,234	3,204	3,378	4,244	4,983	5,260	N.A.
Fuels, minerals, and metals	868	2,467	2,719	3,123	3,721	4,455	N.A.
Agricultural and forestry products	890	1,544	1,666	1,937	1,886	2,414	N.A.
Manufactured consumer goods	314	683	668	653	787	862	N.A.
Other	389	976	979	926	1,111	1,380	N.A.
East Germany	**4,923**	**11,947**	**13,514**	**15,049**	**16,452**	**18,384**	**N.A.**
Machinery and equipment	1,684	3,680	4,257	5,011	5,594	6,085	N.A.
Fuels, minerals, and metals	1,359	3,644	3,906	4,364	4,902	6,029	N.A.
Agricultural and forestry products	1,383	2,700	3,365	3,311	3,422	3,566	N.A.
Manufactured consumer goods	222	669	649	692	839	974	N.A.
Other	275	1,254	1,337	1,671	1,695	1,730	N.A.
Hungary	**2,505**	**6,795**	**7,252**	**8,558**	**10,584**	**11,919**	**12,858**
Machinery and equipment	774	2,188	2,335	2,790	3,662	4,041	N.A.
Fuels, minerals, and metals	591	1,855	1,769	2,054	2,582	3,194	N.A.
Agricultural and forestry products	611	1,291	1,523	1,814	1,990	[illegible]	N.A.
Manufactured consumer goods	193	482	500	616	794	858	N.A.
Other	336	979	1,125	1,284	1,556	1,728	N.A.
Poland	**3,608**	**12,752**	**13,823**	**14,767**	**16,513**	**18,167**	**19,123**
Machinery and equipment	1,306	4,769	5,377	5,582	6,242	6,358	N.A.
Fuels, minerals, and metals	960	3,826	3,829	4,076	4,558	5,377	N.A.
Agricultural and forestry products	772	2,270	2,557	2,747	3,170	3,615	N.A.
Manufactured consumer goods	231	676	788	960	1,040	1,163	N.A.
Other	339	1,211	1,272	1,402	1,503	1,654	N.A.
Romania	**1,960**	**5,418**	**6,062**	**7,060**	**8,926**	**11,168**	**N.A.**
Machinery and equipment	790	1,880	1,928	2,591	3,374	3,585	N.A.
Fuels, minerals, and metals	596	2,070	2,485	2,640	3,320	4,836	N.A.
Agricultural and forestry products	306	845	958	1,024	1,196	1,497	N.A.
Manufactured consumer goods	108	206	206	275	339	380	N.A.
Other	160	417	485	530	697	870	N.A.

[a] The values of East European imports by commodity group were calculated by applying East European data on percentage breakdowns to total imports expressed in US dollars (see Table 66, footnote a).

Table 67

Million US $

East European Exports, by Commodity Group [a]

	1970	1975	1976	1977	1978	1979 [b]	1980 [b]
Bulgaria	**2,004**	**4,807**	**5,316**	**6,303**	**7,485**	**9,013**	**10,163**
Machinery and equipment	581	1,956	2,233	2,855	3,525	4,029	4,542
Fuels, minerals, and metals	162	375	468	536	666	1,181	1,513
Agricultural and forestry products	870	1,620	1,744	1,847	2,028	2,298	N.A.
Manufactured consumer goods	295	495	510	605	734	847	894
Other	96	361	361	460	532	658	N.A.
Czechoslovakia	**3,792**	**8,158**	**8,745**	**10,011**	**11,669**	**13,313**	**16,034**
Machinery and equipment	1,911	3,916	4,373	5,136	6,161	6,803	N.A.
Fuels, minerals, and metals	705	1,574	1,627	1,672	1,785	2,263	N.A.
Agricultural and forestry products	277	587	595	741	887	1,038	N.A.
Manufactured consumer goods	629	1,485	1,539	1,752	1,972	2,197	N.A.
Other	270	596	611	710	864	1,012	N.A.
East Germany	**4,647**	**10,680**	**11,645**	**12,778**	**14,963**	**16,610**	N.A.
Machinery and equipment	2,402	5,415	5,962	6,823	8,230	9,268	N.A.
Fuels, minerals, and metals	469	1,292	1,316	1,431	1,511	1,960	N.A.
Agricultural and forestry products	344	972	1,188	920	1,167	1,013	N.A.
Manufactured consumer goods	939	1,666	1,677	1,955	2,244	2,475	N.A.
Other	493	1,335	1,502	1,649	1,811	1,894	N.A.
Hungary	**2,317**	**5,694**	**6,643**	**7,959**	**8,814**	**11,117**	**12,359**
Machinery and equipment	755	2,107	2,239	2,674	3,050	3,802	N.A.
Fuels, minerals, and metals	334	678	884	1,051	1,111	1,601	N.A.
Agricultural and forestry products	619	1,435	1,787	2,093	2,274	2,657	N.A.
Manufactured consumer goods	494	1,162	1,275	1,536	1,763	2,001	N.A.
Other	115	312	458	605	616	1,056	N.A.
Poland	**3,548**	**10,510**	**10,969**	**12,405**	**14,527**	**16,864**	**16,938**
Machinery and equipment	1,366	4,109	4,541	5,134	6,406	7,741	N.A.
Fuels, minerals, and metals	848	3,058	2,918	3,076	3,501	4,047	N.A.
Agricultural and forestry products	600	1,209	1,338	1,439	1,583	1,788	N.A.
Manufactured consumer goods	571	1,534	1,645	1,948	2,368	2,563	N.A.
Other	163	600	527	608	669	725	N.A.
Romania	**1,851**	**5,420**	**6,175**	**7,064**	**8,093**	**9,949**	N.A.
Machinery and equipment	422	1,371	1,587	1,886	2,307	2,607	N.A.
Fuels, minerals, and metals	420	1,209	1,488	1,469	1,805	2,905	N.A.
Agricultural and forestry products	496	1,225	1,389	1,724	1,619	1,701	N.A.
Manufactured consumer goods	335	873	1,013	1,173	1,416	1,622	N.A.
Other	178	742	698	812	946	1,114	N.A.

[a] The values of East European exports by commodity group were calculated by applying East European data on percentage breakdowns to total exports expressed in US dollars (see Table 65, footnote a).

Table 66

Million US $

East European Imports, by Country [a]

	1960	1965	1970	1975	1976	1977	1978	1979 [b]	1980 [b]
Bulgaria	**625**	**1,178**	**1,831**	**5,528**	**5,559**	**6,344**	**7,658**	**8,580**	**9,339**
USSR	332	589	955	2,826	3,018	3,617	4,571	5,042	5,450
Eastern Europe	174	236	372	1,007	1,055	1,245	1,433	1,587	1,620
Developed Countries	89	266	355	1,289	1,045	1,019	1,151	1,321	1,657
Less Developed Countries	13	37	81	209	237	263	249	300	376
Czechoslovakia	**1,816**	**2,673**	**3,695**	**8,874**	**9,410**	**10,883**	**12,488**	**14,371**	**15,610**
USSR	630	955	1,209	2,818	3,022	3,637	4,377	5,131	5,669
Eastern Europe	524	851	1,123	2,839	3,009	3,353	4,007	4,401	4,506
Developed Countries	360	514	917	2,244	2,429	2,640	2,897	3,408	3,749
Less Developed Countries	161	197	214	501	498	733	606	709	841
East Germany [c]	**2,194**	**2,823**	**4,923**	**11,947**	**13,514**	**15,049**	**16,452**	**18,384**	N.A.
USSR	958	1,205	1,945	4,172	4,234	5,137	5,686	6,546	7,610
Eastern Europe	496	693	1,246	3,147	3,668	4,183	4,750	5,105	N.A.
Developed Countries	484	656	1,378	3,704	4,626	4,365	4,622	5,681	6,050
Less Developed Countries	90	120	182	483	608	723	673	885	N.A.
Hungary	**976**	**1,520**	**2,505**	**6,795**	**7,252**	**8,558**	**10,584**	**11,919**	**12,858**
USSR	303	553	832	2,284	2,394	2,859	3,672	4,325	4,568
Eastern Europe	317	415	726	1,813	2,024	2,280	2,451	2,875	3,076
Developed Countries	237	383	678	1,966	2,027	2,441	3,210	3,330	3,900
Less Developed Countries	58	113	177	498	574	640	710	712	750
Poland	**1,495**	**2,340**	**3,608**	**12,752**	**13,823**	**14,767**	**16,513**	**18,167**	**19,123**
USSR	465	728	1,361	3,294	3,509	4,310	5,036	5,834	6,628
Eastern Europe	400	706	1,000	2,354	2,770	3,046	3,549	3,729	3,903
Developed Countries	447	583	938	6,199	6,798	6,374	6,531	6,665	6,446
Less Developed Countries	99	210	196	597	577	700	861	1,373	1,654
Romania	**648**	**1,077**	**1,960**	**5,418**	**6,062**	**7,060**	**8,926**	**11,168**	N.A.
USSR	266	406	501	951	1,055	1,356	1,436	1,641	2,080
Eastern Europe	173	210	441	1,078	1,332	1,597	1,856	2,137	N.A.
Developed Countries	155	363	786	2,285	2,238	2,576	3,499	3,987	4,225
Less Developed Countries	20	55	117	732	1,087	1,109	1,521	2,636	N.A.

[a] Imports are f.o.b. except for Hungary, which is on a c.i.f. basis. Trade with the Communist countries was derived by converting the value of the trade expressed in the currency of each East European country to rubles and then to dollars at the prevailing foreign exchange rate.

[b] Preliminary.

[c] The official West German deutsche mark/US dollar rate was used to convert intra-German trade in East German marks to US dollars because using the East German mark/US dollar rate understates the value of trade. East Germany converts West German marks into East German marks at parity, but actually the East German mark is worth less than the West German mark.

Table 65

Million US $

East European Exports, by Country [a]

	1960	1965	1970	1975	1976	1977	1978	1979	1980 [b]
Bulgaria	**571**	**1,176**	**2,004**	**4,807**	**5,316**	**6,303**	**7,485**	**9,013**	**10,163**
USSR	307	614	1,078	2,643	2,875	3,396	4,048	4,673	5,063
Eastern Europe	151	275	431	968	1,163	1,373	1,506	1,622	1,680
Developed Countries	73	190	289	474	626	663	763	1,298	1,719
Less Developed Countries	18	52	125	463	428	604	785	1,037	1,374
Czechoslovakia	**1,929**	**2,688**	**3,792**	**8,158**	**8,745**	**10,011**	**11,669**	**13,313**	**16,034**
USSR	659	1,023	1,222	2,664	2,934	3,397	4,041	4,771	5,525
Eastern Europe	561	789	1,213	2,621	2,986	3,376	3,857	4,046	4,321
Developed Countries	335	468	783	1,673	1,671	1,943	2,143	2,690	3,557
Less Developed Countries	200	255	331	706	658	802	979	1,044	1,633
East Germany [c]	**2,207**	**3,085**	**4,647**	**10,680**	**11,645**	**12,778**	**14,963**	**16,610**	N.A.
USSR	924	1,311	1,742	3,700	3,657	4,306	5,291	6,080	6,756
Eastern Europe	588	852	1,386	3,368	3,691	4,160	4,765	5,783	N.A.
Developed Countries	446	657	1,078	2,631	3,170	3,007	3,386	3,564	4,300
Less Developed Countries	89	131	183	431	473	571	772	977	1,300
Hungary	**874**	**1,510**	**2,317**	**5,694**	**6,643**	**7,959**	**8,814**	**11,117**	**12,359**
USSR	256	525	790	2,154	2,346	2,817	3,208	3,779	4,527
Eastern Europe	278	468	648	1,591	1,950	2,365	2,666	3,303	3,289
Developed Countries	192	342	630	1,327	1,553	1,712	1,980	2,636	2,933
Less Developed Countries	58	107	137	364	392	473	555	723	850
Poland	**1,326**	**2,228**	**3,548**	**10,510**	**10,969**	**12,405**	**14,527**	**16,864**	**16,938**
USSR	390	781	1,251	3,362	3,310	3,957	5,006	6,096	5,612
Eastern Europe	335	528	882	2,671	2,888	3,155	3,384	3,739	3,790
Developed Countries	401	647	1,024	3,278	3,563	3,877	4,425	5,056	5,792
Less Developed Countries	93	172	258	845	878	1,005	1,073	1,294	1,154
Romania	**717**	**1,102**	**1,851**	**5,420**	**6,175**	**7,064**	**8,093**	9,949	N.A.
USSR	281	438	529	1,096	1,105	1,363	1,425	1,687	2,275
Eastern Europe	189	260	395	1,011	1,200	1,592	1,893	1,879	N.A.
Developed Countries	154	277	622	1,899	2,234	2,139	2,641	3,592	4,100
Less Developed Countries	40	68	153	985	1,089	1,499	1,453	1,930	N.A.

[a] Domestic currency converted into US dollars at the exchange rate prevailing at time of transactions. Exports are on an f.o.b. basis. Trade with the Communist countries was derived by converting the value of the trade expressed in the currency of each East European country to rubles and then to dollars at the prevailing foreign exchange rate.

[b] Preliminary.

[c] The official West German deutsche mark/US dollar rate was used to convert intra-German trade in East German marks to US dollars because using the East German mark/US dollar rate understates the value of trade. East Germany converts West German marks into East German marks at parity, but actually the East German mark is worth less than the West German mark.

Table 47

Million US $

USSR: Estimated Drawings and Scheduled Repayments on Western Credits

	Estimated Drawings [a]	Repayments [b]	Interest [c]	Amount Available to Offset Trade Deficit	Gross Debt Outstanding at End of Year
1970	450	159	83	208	1,515
1971	511	223	135	153	1,803
1972	878	276	170	432	2,405
1973	1,737	397	332	1,008	3,745
1974	2,052	625	508	919	5,172
1975	6,371	969	804	4,598	10,571
1976	5,661	1,386	1,012	3,263	14,849
1977	2,850	1,975	1,140	−265	15,724
1978	3,051	2,352	1,219	−520	16,423
1979	3,660	2,800	1,430	−570	17,283
1980	3,576	3,050	1,625	−1,099	17,809

[a] Drawings on credits backed by Western government guarantees and on commercial credits, which lack official guarantees.
[b] Scheduled repayments on government-backed debt and known repayments on medium-term commercial debt.
[c] Interest payments on government-backed debt and on gross commercial debt.

Table 48

Million Troy Ounces

USSR: Gold Production and Reserves

	Production	Reserves		Production	Reserves
1965	5.33	29.61	1973	8.03	56.16
1966	5.69	33.01	1974	8.42	59.02
1967	5.94	36.84	1975	8.29	61.08
1968	6.23	41.37	1976	8.87	57.77
1969	6.59	46.77	1977	9.19	54.72
1970	7.00	52.43	1978	9.54	49.08
1971	7.20	57.77	1979	9.87	50.83
1972	7.81	59.22	1980	10.20	58.22

Table 46

Million US $

USSR: Hard Currency Balance of Payments

	1960	1965	1970	1975	1976	1977	1978	1979	1980 [a]
Trade Balance	−250	−186	−500	−6,422	−5,595	−3,300	3,794	2,036	2,455
Exports, f.o.b.	768	1,374	2,201	7,835	9,721	11,345	13,157	19,549	23,792
Imports, f.o.b.	1,018	1,560	2,701	14,257	15,316	14,645	16,951	21,585	26,247
Gold sales	200	550	0	725	1,369	1,618	2,522	2,167	800
Net interest	−2	−17	−83	−568	−716	−846	−881	−799	710
Other invisibles and hard currency trade not included elsewhere [b]	−66	−46	605	1,551	2,011	3,300	3,523	5,140	4,900
Current account balance	−118	301	22	−4,714	−2,931	772	1,370	4,472	2,535
Direct investment abroad [c]	0	0	0	−3	−31	0	0	0	0
Borrowing from abroad [d]	88	41	291	5,402	4,694	1,777	1,002	860	526
Lending to other countries [e]	0	0	−25	295	−1,711	140	−1,582	2,926	0
Capital account balance	88	41	266	5,694	2,952	1,917	580	2,066	526
Errors and omissions [f]	30	−342	−288	−980	−21	−2,689	−790	2,406	3,061

[a] Estimated.

[b] Including estimated receipts from arms sales, official transfers, and net receipts from tourism and transportation.

[c] Estimated investment in Soviet banking operations in the West.

[d] Soviet drawings on Western credits and East European investment in construction of the Orenburg pipeline. Excludes borrowings by the International Investment Bank and International Bank for Economic Cooperation, which borrow on behalf of CEMA countries. The extent to which the USSR has borrowed (if at all) from these CEMA banks is unknown.

[e] Net change in Soviet assets held with Western commercial banks and in trade credits extended to finance Soviet exports.

[f] Including intra-CEMA hard currency trade and other hard currency payments.

Eastern Europe: Hard Currency Payments
(millions of dollars)

	BULGARIA	CZECHOSLOVAKIA	EAST GERMANY	HUNGARY	POLAND	ROMANIA	YUGOSLAVIA	[illegible]
1. 1981 Current Account Balance	-100	-200	-2000	-600	-2400	-2000	-2300	[illegible]
2. 1981 Imports	2800	4250	6900	4200	6550	8500	11300	[illegible]
3. 1982 Projected Current Account Balance	-300	-200	-1500	-500	-4000	-1500	[illegible]	[illegible]
4. 1982 Principal Falling Due (Short, Medium and Long Term)	1000	1500	4000	3000	[illegible]700	[illegible]	[illegible]	[illegible]
Percent Imports Must Be Cut to Meet Obligations								
Assuming No New Credits, but principal rolled over[1]	11	5	22	12	61	18	[illegible]	[illegible]
Assuming Neither Credits nor Rollover of Principal)[2]	46	40	80	83	117	47	[illegible]	[illegible]

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